AUDIT AND RISK ASSURANCE COMMITTEE

**Confirmed minutes of the meeting held on 18 September 2024**

**in the Thames meeting room, 2 Redman Place and via Teams**

Present

Alina Lourie Non-Executive Director (chair)

Mark Chakravarty Non-Executive Director

Justin Whatling Non-Executive Director

Amanda Gibbon External Member

In attendance

Sam Roberts Chief Executive

Pete Thomas Director, Finance

Ehtisham Ramzan Head of Financial Accounting

Barney Wilkinson Associate Director, Procurement

Elaine Repton Corporate Governance & Risk Manager (minutes)

Raghu Vydyanath Chief Information Officer (for items 5.1 and 5.2)

Helen Brown Chief People Officer (for items 5.4 and 5.5)

Lorna Scoular Head of OD, Talent and Culture (for item 5.4)

Kirsty O’Donnell Estates and Facilities Manager (for item 5.5)

Niki Parker Senior Audit Manager, Government Internal Audit Agency

Stephen Ferris Engagement Director, National Audit Office

Jacob Horner Engagement Manager, National Audit Office

Emma Simpson Engagement Manager, KPMG (part)

David Wright Head of NICE Sponsor Team, DHSC

## Committee’s private meeting with the auditors (item 1)

1. A meeting of the non-executive directors and external member with the internal and external auditors, took place in private before the open meeting.

**Welcome and apologies (item 2)**

1. The chair welcomed everyone to the meeting.
2. There were apologies for absence from Katie Henry (KPMG) and David Coombs (NICE). It was noted that Michael Borowitz had resigned from the NICE board and was therefore no longer a member of the committee.

## Declaration of interest (item 3)

1. The committee noted the interests register. Justin Whatling confirmed that his role on the Transition Committee of the British Computer Society had ended. Alina Lourie advised of a new interest as a non-executive member of Tellmi, a provider of a mental health app for young people.

## Minutes of the last meeting (item 4.1)

1. The minutes of the meeting held on 19 June 2024 were agreed as a correct record.

## Action Log (item 4.2)

1. The committee reviewed the outstanding actions, as follows:

**Cyber security risks** (action 352) – The DHSC sponsor team was asked to look at opportunities for the ALB health bodies to collaborate on cyber security to learn from each other and share expertise. Raghu Vydyanath advised that he has been in contact with the National Chief Information Systems Officer, who has agreed to present to the NICE board on the national cyber security landscape. This will be arranged in tandem with board cyber training and a tabletop major cyber incident exercise. Dates are still to be agreed.

**Action: RV**

1. **Whistleblowing** (action 354) – In light of the work that Bee Wee is leading as the board nominated NED responsible for staff engagement, it was agreed to close this action.
2. **Summary of Shared Service reports** (risk 361) – The committee had previously requested assurance from NHS SBS regarding their cyber security arrangements, however due to the number of organisations supported by SBS, it has not been possible to have a response tailored for NICE. The issue is picked up later in the deep dive risk topic.

# SUBSTANTIVE ITEMS

## Strategic risks (item 5.1)

1. The committee reviewed the latest strategic risk register, noting the inclusion of a risk tolerance score and a risk status, in line with NICE’s risk appetite. It was queried whether these inclusions were helpful. It was agreed that they were helpful to a degree in that they stimulated a good discussion on risks which supports the development of the risk register to the next stage.
2. It was noted that current risk and target scores, appetite and tolerance were four different levers for looking at the same topic, but they helped in assessing whether NICE should take more risk if doing so brings opportunities that are beneficial. Alternatively, if the target risk score was within the agreed tolerance, this should support decision making to focus resources elsewhere.
3. The general view was that the risks were scored too high, and they lacked quantitative actions to show what metrics were needed to reduce the risk level.
4. Sam Roberts advised that at the executive team (ET) meeting in September, ET had agreed to take a fresh look at the strategic risks, as most risks were scored 12, but they did not represent the current issues challenging ET members, with the exception of cyber security and internal controls. It was also noted that some risks and uncertainties may be better discussed as part of the CEO’s update to the informal board seminar meetings, particularly where the landscape is uncertain and or rapidly evolving
5. It was noted that ET has planned to have a session in October to review the risks, the risk scores and risk appetite.

**Deep dive risk review – cyber security (item 5.2)**

1. Raghu Vydyanath presented a comprehensive cyber security progress report including a risk ‘bow tie’ analysis of the current preventative controls and mitigating actions being put in place to reduce the current risk score. The report also gave an update on the successful Data Security and Protection Toolkit (DSPT) compliance submission in June 2024 and plans to work with the national Chief Information and Security Officer for health and care to support NICE in reviewing its business continuity planning. It was proposed that this paper is also shared with the September board seminar, along with an update on the outcome of this committee’s discussion.
2. The work with external support will focus on recovery of systems, producing business impact assessments to decide which systems were the most critical to restore in order of priority. Internally, continuing to address the ‘tech debt’ was on-going with the roll out of new laptops and improvements to the physical infrastructure to protect against the emerging and evolving cyber threats.
3. Raghu responded to a number of questions from the committee. He explained that the DSPT framework was substantially changing in 2024/25 to begin the process of aligning more closely to the National Cyber Security Centre (NCSC) Cyber Assessment Framework (CAF), which NICE will work towards, and thereafter CAF Plus. This work will strengthen NICE’s cyber security assurance level.
4. It was queried how NICE was addressing the issue of a potential cyber infection from another organisation, what level of resilience needed to be built in, and whether external suppliers could provide sufficient assurance, as mentioned earlier under the discussion of suppliers including other NHS bodies. The committee noted that the priority was to start mapping known vulnerabilities to address them in order of risk level.
5. The committee also asked about the data which NICE holds and whether there was a data strategy. Raghu advised that an information management/data strategy was being worked on with support from the information governance team and the commercial team.
6. In terms of IT training and skills, it was noted that the cyber security training metrics were good, and it was queried whether there was an IT talent management plan. It was noted that there were some highly specialised roles that were unaffordable on a permanent basis, but NICE was able to access these services through a call-off contract, as and when needed.
7. A further discussion of the paper will take place at the board seminar on 25 September.

## Internal audit progress report (item 5.3)

1. Niki Parker gave a progress update on the 2024/25 internal audit plan. Of the six planned audits, one final audit report has been published, two audits have the fieldwork in progress, one has the terms of reference agreed, and the two remaining audits will be scoped in Q3 to take place in Q4.
2. The position on outstanding actions was much improved with only one action not completed in timescale.
3. The progress report was noted.

## Purchase to pay (P2P) audit report (item 5.3.1)

1. Niki Parker presented the final audit report on purchase to pay which received a moderate assurance rating with six medium and two low priority recommendations.
2. The committee noted the overall positive report findings but highlighted the importance of raising requisitions and purchase orders before any orders for goods or services are placed. The committee highlighted that staff needed to be reminded of this basic financial discipline in light of previous internal control issues. Reference was also made to the earlier issues raised in the meeting concerning NHS SBS. The lack of a master controls list was concerning, and the committee encouraged the executives to pursue this with SBS. Pete Thomas gave an assurance that his team were working with SBS and would be raising these issues through existing relationships and contact management meetings.
3. The audit report was noted.

## Learning and development update (item 5.4)

1. Helen Brown and Lorna Scoular joined the meeting to update the committee on the action the learning and development team have taken in response to the recommendations in the internal audit report presented in May.
2. The work has focused on three key areas:
* an organisation-wide learning needs analysis
* defining roles and responsibilities for assessing training requests and approving training expenditure against the needs analysis and aligned to the business plan priorities; and
* updating the training policy and procedures to reflect the new arrangements.
1. The committee welcomed the progress update and thanked Helen and Lorna for supporting this work.

## Health & Safety annual report (item 5.5)

1. The committee received an overview of the various health and safety compliance work that was undertaken in 2023/24, including the completion rates for the mandatory health and safety training modules.
2. The report gave assurance that NICE was meeting its responsibilities and showed that on the whole training completion rates were good with the exception of the display screen equipment (DSE) module, which was important when working at home as well as in the office. Promotion of this course with staff was planned for October to improve performance and also to remind line managers of their responsibilities in making sure their team members complete mandatory training.

## Review of the internal auditor (item 5.6)

1. The committee noted the themes arising from the survey of the auditor’s performance in 2023/24. Niki Parker acknowledged the two key points relating to the committee receiving a spread of completed audit reports throughout the year, rather than too many at the year end. Additionally, in relation to the length of audit reports, to consider whether these could be shortened. The committee requested the executive summary be retained.
2. Notwithstanding these two minor improvement points, the committee thanked Niki and her team for their continued support and helpful guidance.

# ITEMS FOR INFORMATION

## Financial accounting performance (item 6.1)

1. The committee reviewed the financial accounting performance at 31 July 2024 including losses from train and travel cancellations. Sham Ramzan highlighted performance against the key financial duties.
2. It was noted that use of the iproc system was progressing well but there had been some delays with SBS matching purchase order numbers to the correct invoices.
3. Pete Thomas asked whether there was anything further the committee would like to see covered in the report. It was raised that a financial position statement was not discussed at the ARAC and whether a snapshot would be helpful, or whether this was the board’s remit. It was agreed to give further consideration of what goes to board on the financial position, and what would be helpful to come to this committee.

**Action: PT**

1. The committee noted the financial accounting performance report.

# Contract waivers report (item 6.2)

1. Barney Wilkinson presented the contract waivers report for April to August 2024. The number and value of contract waivers was noted.
2. The committee also reviewed an analysis of commercial activity in 2023/24 showing 160 contracts were entered into with a total value of £8.77m, of which 37 were contract waivers. Further data presented showed procurement by directorate, procurement routes, and those contracts which were above and below the various thresholds. It was noted that a high proportion of contracts related to IT continuity work.
3. It was agreed that the deeper analysis was sufficient on an annual basis, but the regular quarterly waivers report should continue to be presented.

## Compliance dashboard (item 6.3)

1. The committee noted the Q1 compliance dashboard which provided assurance across a range of indicators. There were no concerns to highlight from Q1.
2. The report was noted.

**Committee annual plan 2023/24 (item 6.4)**

1. The committee noted the annual plan. It was agreed that the next deep dive risk topic would be ‘organisational transformation’. The committee was invited to suggest a deep dive topic for January. Any suggestions to be sent to Elaine Repton.

**Other business (item 7)**

1. There were no further items of business.

# Dates of future meetings (item 8)

1. The committee confirmed the future meetings dates as:
* 27 November 2024
* 29 January 2025
* 7 May 2025

The meeting closed at 4:25pm.